

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

March 1945

WAR FOOD ADMINISTRATION
Washington, D. C.

ECONOMIC STATEMENT WITH RESPECT TO WAR FOOD ORDER 13

By L. J. Steck, Administrator
War Food Order 13

Introductory

War Food Order 13 is a regulation of the War Food Administration. When issued on February 2, 1943, it superseded a like regulation, known as Order M-259, made effective by the War Production Board on November 25, 1942. The order is designed to divert butterfat and milk solids-not-fat from their use in heavy cream, cream products, and filled cream to uses more essential for war and necessary civilian consumption. Under the principal provisions of the order no person may sell (except to a handler) cream or cream products containing in excess of 19 percent butterfat (or a slightly higher percentage where required by local regulation); or fortify cream with added milk solids; or utilize milk solids-not-fat in the production of filled cream in excess of quotas established by the order. Nor may heavy cream be used by a handler except in the processing of milk or cream, or in the manufacture of a dairy product, or in the production of filled cream.

Description of Products Regulated

Cream containing more than 19 percent butterfat is commonly referred to as "heavy cream" or "whipping cream." It is most generally utilized by consumers and by eating places and bakeries to make a top dressing for use on ice cream, desserts, cakes, pies, pastries, etc. When used for such purposes it is obviously less essential than staples like butter, cheese, or evaporated milk. Heavy cream is also used in the manufacture of some dairy products, principally butter, and in making reconstituted milk and cream. Its most important use is, in fact, as a raw material for other dairy products. War Food Order 13 does not prohibit the sale of heavy cream for use in the making of other dairy products, but, on the contrary, expressly provides that this may be done.

A cream product may be either a "stabilized" cream or a "spread." An example of a "stabilized" cream is the product known as "Avoset," consisting of 99.6 percent cream and 0.4 percent vegetable stabilizer and anti-oxidant. An example of a "spread" is the product known as "Dyne," which was developed by the Wisconsin Alumni Research Foundation and contains 26 percent butterfat, 16 percent milk solids-not-fat, 56 percent moisture, 1 percent salt, and 1 percent other ingredients.

Filled cream is generally a blend of light cream (containing less than 19 percent butterfat) and vegetable oil. The common brands of filled cream, which are sold under such trade-names as "Topping," "Sta-Whip," or "Sno-Top," contain from 16 to 19 percent butterfat and approximately a like amount of vegetable oil. They may be fortified with milk solids-not-fat, which are added in the form of milk powder. Like heavy cream, filled cream containing more than 19 percent fat is utilized by consumers and industrial users as a top dressing. Also, like heavy cream, it is relatively unessential.

APR 1 1945

Relation of War Food Order 13 to the War Food
Program and the War Dairy Program

The mobilization of the Nation for war requires the mobilization of its food resources. War brings increased and new demands for food. Food is needed to feed our armed forces and to supply the merchant marine; it is needed to supply our allies and the armed forces of our allies; it is needed to supply the Red Cross and the underfed populations of the liberated and occupied countries; and, finally, it is needed to feed civilians at home.

The demands for food in wartime are greater than in peacetime, not only because there are new mouths to feed but because per capita demands of Americans are greater than in peacetime. First, the average soldier or sailor in the service consumes more than he did when he was a civilian. Second, the average civilian has a higher income, and much of this seeks its outlet in increased expenditures for food.

All these increased and new demands necessitate a positive war food program. They require that the food resources of the country be carefully managed and husbanded. They require that the production of food be encouraged and stimulated and that the disposition of food, once it is produced, be directed to the channels in which it is most urgently needed and in which it can best serve the war effort.

To mobilize the Nation's food resources effectively the War Food Administration was created, with the Food Distribution Administration (now the Office of Marketing Services) as one of its principal units. Under Executive Order 9280, dated December 5, 1942 (7 F.R. 10179), as amended by Executive Order 9322 (8 F.R. 3807), Executive Order 9334 (8 F.R. 5423), and Executive Order 9392 (8 F.R. 14783), the President authorized and directed the War Food Administration to "assume full responsibility for and control over the Nation's food program;" to "ascertain and determine the direct and indirect military, other governmental, civilian and foreign requirements for food, both for human and animal consumption and for industrial uses;" and to "formulate and carry out a program designed to furnish a supply of food to meet such requirements, including the allocation of the agricultural productive resources of the Nation for this program."

Underlying the executive orders creating the War Food Administration and vesting it with authority to manage the Nation's food program in wartime, is the authority granted to the President in the Second War Powers Act, which provides, among other things, as follows: "Whenever the President is satisfied that the fulfillment of requirements for the defense of the United States will result in a shortage in the supply of any material or of any facilities for defense or for private account or for export, the President may allocate such material or facilities in such manner, upon such conditions and to such extent as he shall deem necessary or appropriate in the public interest and to promote the national defense."

The War Dairy Program

The war dairy program is an important part of the war food program. On the production side, the program is designed to obtain an increased output of milk and of the products of milk, through price support programs, through payments

to farmers on milk and butterfat to cover increased costs of production, through payments on Cheddar cheese and butter, and through auxiliary aids to production including projects for making more feed available to producers and making needed equipment available to manufacturers. In some instances, as in the case of dried milk, the Government has assisted in constructing or in financing the construction of manufacturing plants in strategic areas. Production goals for milk are determined, and the facilities and energies of the War Food Administration are directed toward achieving these goals.

On the distribution side, the war dairy program calls for allocating and channeling the supply of milk, cream, and manufactured dairy products, once these are produced, among the various claimant groups and uses, according to the relative urgency of the requirements of each group and use. In the allocation of supplies to the various claimant groups, each group—including United States civilians, United States armed forces, our allies and other friendly nations, United States Territories, the Red Cross, and liberated areas—receives an allocation in relation to the importance of its needs. The allocation may be of a specific amount or may be a residual quantity, that is, what is left after the prior claimants receive their allocations. Each group could, of course, use a great deal more of each product than is allocated to it. Nevertheless, each must gear its utilization to the allocation it receives. The allocation or division of the whole milk supply between war and civilian consumption may be seen from the following tabulation, which shows the total volume and approximate use of the milk produced in the United States:

Period	Production on farms	All utili- zation on farms ^{1/}	Products for war uses	Civilian fluid milk and cream	Balance for other civilian uses
	Billion pounds	Billion pounds	Billion pounds	Billion pounds	Billion pounds
1936-40	105.3	23.5	--	29.8	52.0
1941	115.5	22.4	4.9	31.8	56.4
1942	119.2	22.8	10.7	34.4	51.3
1943 ^{2/}	118.1	21.5	18.3	37.9	40.4
1944 ^{2/}	118.9	22.2	16.5	40.0	40.2

^{1/} Includes amount of milk not otherwise accounted for.

^{2/} Preliminary.

In the allocation, or channeling, of supplies of milk and cream to various uses, i.e., for processing or manufacture into various dairy products, the procedure is qualitative in character. Nevertheless, the allocation to each use or product corresponds to the importance of the use or product in meeting war and essential civilian requirements. Butterfat and milk solids-not-fat are diverted toward the uses and products that are most essential for war and necessary civilian consumption and are diverted away from those uses and products that are relatively unessential for war and necessary civilian consumption. The division of the whole milk supply between uses is shown in the following table:

Item	1936-40 average	1941	1942	1943	1944
	Billion pounds	Billion pounds	Billion pounds	Billion pounds	Billion pounds
Farm milk produced.	105.3	115.5	119.2	118.1	118.9
Fluid milk.	23.8	25.6	27.8	32.4	34.1
Fluid cream.	6.0	6.4	7.0	7.1	7.5
Ice cream.	3.4	4.5	5.3	4.3	5.0 ^{1/}
Concentrated milk.	5.1	7.8	8.2	7.3	8.1
Cheese.	7.0	9.6	11.1	9.9	10.1
Dry whole, dried creamed, malted, etc.2	.4	.6	1.1	1.4 ^{2/}
Butter, total.	36.3	38.8	36.4	34.5	30.5
Creamery butter.	34.6	37.4	35.2	33.4	29.5
Farm butter sold.	1.7	1.4	1.2	1.1	1.0
Utilization on farms ^{3/}	23.5	22.4	22.8	21.5	22.2

^{1/} Includes ice milk and sherbets.

^{2/} Includes estimates for baby food made from whole milk.

^{3/} Includes amount of milk not otherwise accounted for.

A primary fact in considering the war dairy program is that cream and milk from which the cream is derived are used not only for direct consumption in fluid form, but are also the source of manufactured dairy products. For example, butterfat is used for making butter, while whole milk is needed to make cheese, evaporated milk, and dry whole milk. Therefore, when more milk and cream are used for consumption in fluid form, less milk and cream are available for manufacturing butter, cheese, evaporated milk, and other dairy products.

With respect to butterfat, the problem of allocation is the problem of apportioning the available supplies of butterfat among the various uses to which it can be put. Butterfat is not available in unlimited quantities. In spite of the vast sums of money paid out by the Government to encourage production, butterfat remains a critically scarce item. The 118.9 billion pounds of milk produced in the United States in 1944 contained 4.7 billion pounds of butterfat. This is all of the butterfat that is available for distribution among all the uses and claimants for it.

As indicated previously, heavy cream for consumer use is relatively unessential. Such being the case, the allocation to heavy cream should be and is very low, only enough to satisfy the needs for heavy cream for use in the treatment of the sick. The same is true of cream products. This is the meaning of the prohibition on the sale of heavy cream and cream products for general consumer use that is contained in War Food Order 13.

What has been said of butterfat in heavy cream and cream products, also applies to milk solids-not-fat in these items. While milk solids-not-fat are not as scarce as butterfat, they are still limited in supply, as witness the need for War Food Order 54 (8 F.R. 7210; 9 F.R. 2875, 4321, 4319, 9584; 10 F.R. 103) and War Food Order 93 (9 F.R. 2076, 4321, 4319, 9584; 10 F.R. 103) which restrict the production and disposition of non-fat dry milk solids and dried milk products.

With respect to filled cream, which is a substitute for heavy cream, some allocation to this product has been made, based on the use of milk solids in its production in the base period. Since filled cream does not contain as much butterfat, and hence total milk solids, as heavy cream, some allocation to it was considered justifiable.

The allocation of milk and cream to other uses is provided for in other orders and regulations. Thus, War Food Order 79 (8 F.R. 12426, 13283; 9 F.R. 4321, 4319, 6982, 9459, 10035, 11990; 10 F.R. 103) limits the sale of fluid milk, light cream, and milk byproducts in urban communities in the United States through sales quotas. War Food Order 8 (8 F.R. 953, 12163; 9 F.R. 4321, 4319, 4735, 5767, 9584; 10 F.R. 103, 2473) restricts the production of ice cream and frozen dairy foods by limiting the use of butterfat in the manufacture of these products to 65 percent of that used during the corresponding month in the period from December 1941 through November 1942. Limitations on the sale of evaporated milk, butter, and cheese (other than cottage, pot, and bakers') are achieved through rationing control. It will be seen, therefore, that War Food Order 13 is a part of an integrated program, each portion of which supplements and complements the other parts. Together with the other measures, War Food Order 13 assures that the available supplies of butterfat and milk solids-not-fat will be directed to the channels where they are most urgently needed to meet our war and essential civilian requirements.

The carrying out of this program is, of course, dependent on compliance with the orders by handlers of milk and milk products. Without such compliance, the allocations are vitiated and the program becomes meaningless. To the extent that any handler does not comply with War Food Order 13 (or with the other orders) he interferes with the execution of the program and, to that extent there is a diminution in its effectiveness. Furthermore, to the extent that noncompliance by any one handler induces or results in noncompliance in other areas, it presents a threat to the entire program.

It has sometimes been alleged that nothing is accomplished by the diversion of butterfat from whipping cream and from whipping-cream substitutes to butter, since the butterfat would in any case be consumed; in other words, that it really does not matter whether the butterfat is consumed in the form of butter or in the form of whipping cream. Such a view is based on entirely too narrow a concept of the relation of the war dairy program to the war effort and of the function of Government in the conduct of a war economy. If adopted, such a view would render meaningless the mandate of the President to the War Food Administration to "assume full responsibility for and control over the Nation's food program." For, while it is true that the butterfat would be eaten up in one way or another, the difficulty is that the people who need the butter and are deprived of it are not the same people who would consume whipping cream. Butter is needed to meet war requirements. It is an essential item in the diet of most of the civilian population, so much so that a shortage of butter is disruptive to civilian morale. Whipping cream, on the other hand, is used only by a limited group of people.

It is to be emphasized that a balanced war dairy program requires that civilians as a group be supplied with certain minimum amounts of essential dairy products, which should include fluid milk and light cream, but should not as long as butterfat is scarce include whipping cream or substitutes for whipping cream. Such a balanced war dairy program, when combined with the other food programs, provides the necessary nutrients to enable the American population to maintain health and vigor and to discharge its duties in the war effort. And it is the function of the War Food Administration to formulate and carry out such a program.

Relation of War Food Order 13 to the Available Supply of Butter

In relation to fluid milk and cream and to some other products of the milk industry the use of butterfat in the manufacture of butter is a residual use. In peacetime, butter is the final repository of butterfat which can find no outlet in the manufacture of the other dairy products; it is the repository of the surplus butterfat that is left over when the demands for other products at prevailing prices are satisfied. In wartime, butter is the reservoir from which manufacturers of other products draw butterfat to meet their needs. The reasons for this are both economic and physical.

First, under the pricing arrangements that have developed in the industry, milk is priced according to its use, and in the hierarchy of uses, butter generally has the lowest value of them all. The highest-priced use is fluid milk, and next to it generally is fluid cream. In between these uses and butter, are whole milk powder, ice cream, evaporated milk, condensed milk, and a number of minor products. In the second place, butter is generally the most important single use for milk and butterfat. It can, therefore, absorb surpluses in peacetime and make up deficiencies in wartime with greater flexibility and less disturbance to industry operations than can any other product. In the third place, butter can be stored for relatively long periods of time, whereas fluid milk and cream are perishable. Finally, facilities for making butter are widespread and generally available to take care of surpluses, while facilities for making other milk products are limited and frequently inaccessible.

The consequence of this key position of butter in the milk industry has been that, with increasing demands for all dairy products in wartime, milk and butterfat have tended, in spite of a number of restrictions, to flow to other products, where the returns are the highest. The result has been a continuous decline in the output of butter, notwithstanding the fact that total milk production has increased to record levels. For instance, while total milk production increased from an average of 105.3 billion pounds during the period 1936-40 to 118.9 billion pounds during 1944, the amount of milk used in the production of all butter went down from an average of 36.3 billion pounds during the 1936-40 period to 30.5 billion pounds during 1944. The output of creamery butter declined from an average of 1,732 million pounds during 1936-40 to 1,487 million pounds during 1944, a loss of 245 million pounds of creamery butter.

In carrying out its allocation functions, one of the major problems of the War Food Administration has been to halt this diversion of milk and butterfat from butter to other uses. This is one of the main purposes of the

quotas placed on fluid milk and cream (War Food Order 79), on ice cream (War Food Order 8), and on dried milk products (War Food Order 93). It is one of the main purposes of War Food Order 13. Since butter is a residual use for butterfat, the diversion of butterfat from heavy cream and heavy cream substitutes augments the output of butter.

Statistical Measurement of Diversion of Butterfat from Heavy Cream

Only limited data are available as to the effect of War Food Order 13 on sales of heavy cream in consumer outlets. What data are available cover the 16 metropolitan markets that are subject to Federal milk regulation under the Agricultural Marketing Agreement Act of 1937, and have been obtained from the market administrators who administer the regulatory programs in these areas. From the reports furnished by these administrators the following information has been abstracted to show the amount of butterfat sold in all cream during January 1942 and during January 1943 (figures are in 1,000 pounds of butterfat contained in the cream):

<u>Area</u>	<u>Sales during Jan. 1942</u>	<u>Sales during Jan. 1943</u>
Boston, Massachusetts	971	581
Chicago, Illinois	1,187	965
Cincinnati, Ohio	106	88
Dubuque, Iowa	10	6
Duluth-Superior, Minnesota-Wisconsin	48	30
Fort Wayne, Indiana	22	17
Kansas City, Missouri-Kansas	102	94
Louisville, Kentucky	59	53
New Orleans, Louisiana	48	37
New York, New York	2,607	1,111
Omaha-Council Bluffs, Nebraska-Iowa	60	52
Quad Cities, Illinois-Iowa	36	26
Sioux City, Iowa	24	16
St. Louis, Missouri	255	202
Toledo, Ohio	77	64
Washington, D. C.	273	240
Total	<u>5,885</u>	<u>3,582</u>

It is to be recalled that the prohibition on heavy cream was first made effective by the War Production Board on November 25, 1942. It would be logical to assume that the reduction in sales of all cream between January 1942 and January 1943 was due to the restriction on heavy cream. The difference between the sales of cream during these two months, amounting to 2,303,000 pounds in terms of butterfat, is the measure of the diversion attributable to War Food Order 13 in these areas. It is to be noted that the estimate of this amount makes no allowance for the likelihood that sales of light cream (included in the above figures) rose between January 1942 and January 1943 as a result of the increased purchasing power which consumers had available to expend on food.

The civilian population on November 1, 1943, of the areas listed is estimated to have been 18,900,000. The total urban civilian population of the United States on the same date (without taking into account shifts between rural and urban areas) is estimated to have been 72,117,000, exclusive of the population of towns and villages having less than 2,500 inhabitants. If it is assumed that the rate of diversion in other urban areas is the same as in the areas subject to Federal milk regulation, the total diversion of butterfat under War Food Order 13 would amount to 8,788,000 pounds per month or about 105,000,000 pounds per year. (This is equivalent to about 130,000,000 pounds of butter.) It is possible, of course, that the diversion of butterfat in the Federally regulated milk areas was greater than in other urban areas, but no information is available on this. In any case, this is probably offset in some degree by increased sales of light cream between January 1942 and January 1943.

This estimated measure of the rate of diversion under War Food Order 13 does not take into account the fact that, had War Food Order 13 not been in effect, sales of heavy cream would undoubtedly have gone up since the order went into effect as a result of the pressure of increased purchasing power in the hands of consumers. Nor does the estimate take into account the likelihood that, had the order not been in effect, substitutes for whipping cream, such as filled cream and cream products, would have been developed and sold in a large volume. Finally, without the restrictions of the order, many cream "spreads" would have been developed and marketed. It is a fact that several large handlers did develop such cream "spreads" for sale as a substitute for butter but were prevented from marketing the products by the restrictions of War Food Order 13.

The Restrictions on Filled Cream

The word "filled," in the sense that it is used in connection with filled cream, is one peculiar to products of the milk industry. As early as June 6, 1896, there was enacted a Federal statute, known as the "Filled Cheese Law," imposing a tax upon and regulating the manufacture, sale, importation, and exportation of filled cheese. On March 4, 1923, the "Filled Milk Act" was enacted prohibiting the shipment in interstate commerce of filled milk. In both cases the term "filled" connotes the extraction of butterfat from the natural product and the substitution therefor of some other animal or vegetable oil or fat. This is the meaning that is given to the word "filled" in the term "filled cream."

War Production Board Order M-259, which preceded War Food Order 13, did not cover filled cream. At the time that order was drafted there was practically no evidence that a product of this type was being marketed. With the issuance of the order, however, a few handlers apparently turned to the production of filled cream as a substitute for whipping cream. But the product was still in little evidence when War Food Order 13 superseded Order M-259 on February 3, 1943. Thereafter, however, sales of filled cream increased rapidly. By June 1944 it had become evident that the growth of filled-cream sales was so fast that, unless arrested, they would seriously interfere with the conservation objectives of War Food Order 13. It was felt that the restrictions on the use of butterfat and milk solids-not-fat would be as fully justified in the case of filled cream as they were in the case of whipping cream, since both products represented relatively unessential uses for butterfat and milk solids-not-fat.

Accordingly, Amendment 2 to War Food Order 13 was issued on June 2, 1943, prohibiting the sale or delivery of filled cream having a total content of all oil and fat in excess of 19 percent. It appeared, however, in the operation of the new provisions, that the prohibition worked a hardship on a number of handlers who had made certain investments in the filled-cream business. A further amendment (Amendment 5) was, therefore, issued on February 6, 1945, substituting for the previous prohibition on the sale and delivery of filled cream a quota-control arrangement authorizing handlers of filled cream to utilize certain amounts of milk solids in the production of filled cream, based on their use of such milk solids in a previous period.

